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The magic box of Facebook

As it prepares to sell 10% of its equity, what risks and opportunities lie ahead for Facebook?

By *Alan McKenna*

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Lessons from Myspace and Kodak

Of course a new competitive threat may emerge at any time from a currently unknown organisation that manages to capture the global public's imagination. Facebook itself was of course such an organisation, taking the social media crown from Myspace. For media mogul, Rupert Murdoch, 2011's phone hacking scandal was not the only set-back he faced in 2011. Back in 2005, Murdoch paid \$580 million for Myspace, only to sell 95% of it last year for just \$35 million. His attempts to commercialise the site were rejected by users, who chose instead to migrate to the new kid on the block, Facebook. Interestingly however, Myspace which is now primarily focused towards music streaming, has recently claimed that under its new owners, who include pop star, Justin Timberlake, new users are flocking to the site, with one million new users signed



up in January alone.

Keeping the magic

Whilst Myspace appears to have begun to successfully re-invent itself, Facebook is acutely aware that its own crown could easily be lost, perhaps in similar circumstances to Myspace, via a failed commercialisation exercise alienating users. If a further warning of the difficult terrain ahead for Facebook were necessary, it is possible to look at the eponymous photographic company, Kodak, which in January filed for bankruptcy protection in the United States. Whilst Kodak had developed the world's first digital camera, it was a failure to exploit the technology that allowed others to take its photographic crown, leading to the company's demise into bankruptcy protection. It is in some ways reminiscent of the 1951 bio-pic film, *The Magic Box*, on the life of cinematographic pioneer, William Friese-Greene, in which it poignantly, if somewhat inaccurately, portrays him in the closing scene as an old forgotten man, clinging to a technology long since obsolete. Facebook will be keen that their 'Magic Box' stays vibrant and acceptable to those who are the source of its wealth, the global information providing public.

Alan McKenna is an Associate Lecturer in the Law School at the University of Kent. For the last two years he has been a Visiting Lecturer for the Law School at City University, London. He is the author of a (soon to be published) book 'A human right to participate in the Information Society'.

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